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HOUSE JOINT MEMORIAL 100

47TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2005

INTRODUCED BY

Patricia A. Lundstrom

A JOINT MEMORIAL

REQUESTING THE OFFICE OF THE ATTORNEY GENERAL AND THE FINANCIAL INSTITUTIONS DIVISION OF THE REGULATION AND LICENSING DEPARTMENT TO UNDERTAKE A JOINT STUDY OF CONSUMER LENDING PRACTICES IN NEW MEXICO.

WHEREAS, there is concern regarding the number of small loan companies that have proliferated in New Mexico in recent years; and

WHEREAS, small loan companies often make consumer loans with an annual interest rate in excess of five hundred percent per year; and

WHEREAS, there have been documented instances where consumers have paid fees and interest in amounts several times the original amount of the principal without paying down a significant percentage of the principal; and

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1 WHEREAS, past practices of the small loan business have
2 resulted in consumers becoming increasingly indebted to
3 lenders; and

4 WHEREAS, the New Mexico court system has been inundated by
5 the number of collection actions filed on behalf of small loan
6 companies against New Mexicans; and

7 WHEREAS, New Mexicans need access to sources of short-term
8 loans in amounts of one thousand dollars (\$1,000) or less
9 without the imposition of draconian fees or interest rates; and

10 WHEREAS, small loan companies are entitled to make a
11 reasonable but not an excessive profit on loans made to New
12 Mexicans; and

13 WHEREAS, New Mexico may soon enact innovative legislation
14 that will impose a cap on the amount of principal and interest
15 that can be repaid on certain types of consumer loans in
16 amounts of one thousand dollars (\$1,000) or less, the impact of
17 which will need to be closely examined;

18 NOW, THEREFORE, BE IT RESOLVED BY THE LEGISLATURE OF THE
19 STATE OF NEW MEXICO that the office of the attorney general and
20 the financial institutions division of the regulation and
21 licensing department be requested to undertake a joint study of
22 consumer lending practices in New Mexico to include the
23 following:

24 A. the collection and analysis of data by the
25 financial institutions division of the regulation and licensing

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1 department regarding loans known as payday loans, car title
2 loans and tax refund anticipation loans;

3 B. the regulatory framework and economics of the
4 business of making closed-end and short-term loans of one
5 thousand dollars (\$1,000) or less, including those loans known
6 as payday loans, car title loans and tax refund anticipation
7 loans; and

8 C. the implementation of a statewide lenders'
9 information exchange program whereby selected information
10 regarding lending practices can be compiled by and exchanged
11 within the small-loan business community; and

12 BE IT FURTHER RESOLVED that the office of the attorney
13 general and the financial institutions division of the
14 regulation and licensing department make available to the
15 appropriate interim legislative committees by August 31, 2006
16 copies of the study, including recommendations for any
17 appropriate legislative action; and

18 BE IT FURTHER RESOLVED that copies of this memorial be
19 transmitted to the governor, the attorney general, the
20 superintendent of regulation and licensing, the director of the
21 financial institutions division of the regulation and licensing
22 department and the co-chairs of the New Mexico legislative
23 council.